

Governor Mitch Daniels' Buy Indiana Initiative

2007 Progress Report



Prepared by:

**The Indiana Department of Administration
Procurement Division**

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What is Buy Indiana?

A Goal Set

On his first day in office, Governor Daniels gave the following order to all state agencies:

Find ways to put agency operations to work to advance Indiana's economic growth.

To that end, Governor Daniels introduced Buy Indiana, his plan to put the state's purchasing power to use to encourage job growth across Indiana.

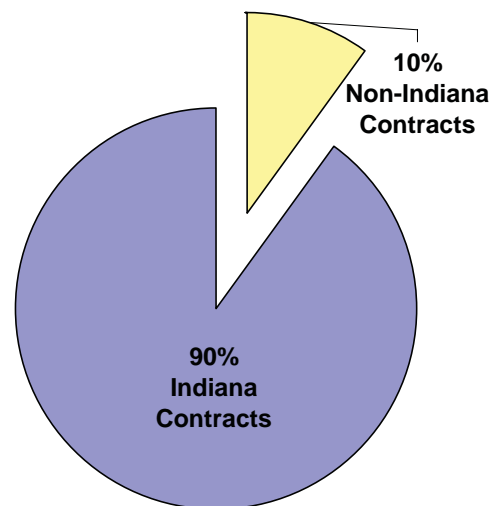
When Governor Daniels took office, the state did not track the percentage of procurement dollars it spent with firms defined as Indiana companies. Best estimates at the time indicated that approximately 60% of contract dollars were going to firms defined as Indiana companies. Recognizing the potential in the billions of dollars the state spends annually on goods and services, on his first day in office Governor Daniels signed Executive Order 05-05, the Buy Indiana initiative.

In the simplest terms, Executive Order 05-05 directs that state government aim to spend at least 90 cents of each Hoosier tax dollar that is used to buy goods and services with Indiana businesses. With a state procurement volume averaging \$4 billion per year, raising the Indiana share from 60% to 90% would mean an additional \$1.2 billion pumped into the Indiana economy.

"The Department of Administration (DOA) shall undertake all efforts to increase the percentage of state procurement from Indiana businesses to 90 percent of the State's total procurement volume."

-- Executive Order 05-05
Signed: January 10, 2005.

State Contracts: Buy Indiana Goal



Defining the Terms

In response to the Governor's new emphasis on companies that choose to build operations in Indiana and employ Hoosiers, the Indiana legislature spelled out the definitions of an Indiana Business during the 2005 General Assembly. Those definitions are codified in IC 5-22-15-20.5:

Significant Capital Investment:

Capital investment of \$5 million or more, or annual lease payments of \$2.5 million or more.

Substantial Positive Economic Impact:

Among the top 500 companies (does not include not-for-profits, colleges and universities, or energy companies) for payment of state corporate, withholding, or unemployment taxes, or number of employees.

1. A business whose principal place of business is located in Indiana.
2. A business that pays a majority of its payroll (in dollar volume) to residents of Indiana.
3. A business that employs Indiana residents as a majority of its employees.
4. A business that makes significant capital investments in Indiana.
5. A business that has a substantial positive economic impact on Indiana.

To Governor Daniels, the key factor is: Do the dollars state government spends wind up in the paychecks of Hoosiers?

There are thousands of firms doing business in Indiana that have committed to employing Hoosiers and investing in production and service facilities across the state. The key criteria is not where the contracting company is headquartered, but whether it is Indiana workers who benefit.

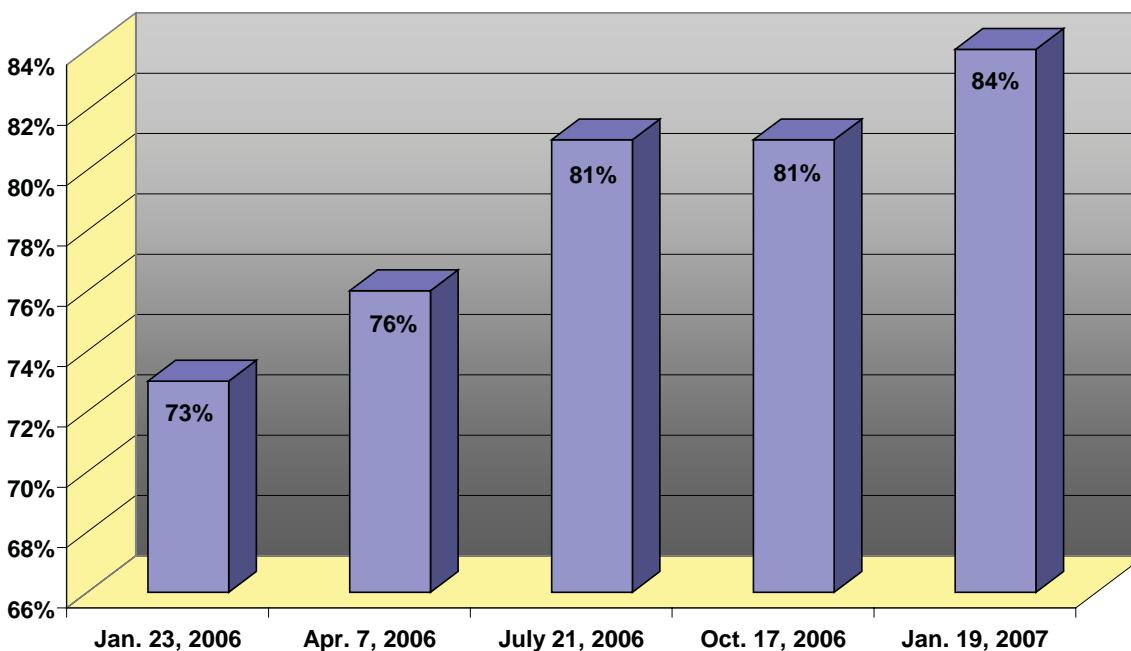
Buy Indiana leverages state purchasing for reinvestment in Indiana with firms committed to employing our citizens.

Measurement is Essential

Between July 2005 and January 2006, the Indiana Department of Administration (IDOA) implemented the Governor's Buy Indiana policy and created an effective process for measuring our progress. To track agency efforts, IDOA reviews state purchasing expenditures every two weeks. Those reports, categorized by agency and expense type, enable anyone to see, for the first time, where state government money is going. Additionally, to ensure the accuracy of our measurements and the success of the initiative, IDOA committed hundreds of staff hours working with over 38,000 companies to ensure that vendors are correctly registered with the state under the Buy Indiana designation.

Through measurement and stronger compliance with the Buy Indiana goal, our progress is steady and our percentage increasing: In January of 2006 the Buy Indiana number stood at 73%. In the first full year of purchasing under all five criteria, that number increased to 84%.

Buy Indiana Progress: 2006 - 2007



Bid Preferences: Case in Point

The Department of Natural Resources needs landscaping equipment costing about \$430,000.

An Indiana company submits a bid of \$427,000. An Arizona company submits a bid of \$425,000.

When the bids are opened and evaluated, the Indiana company is given a 5% bid preference, which reduces their bid price by \$21,350 to \$405,650.

Because \$405,650 is less than the Arizona company's bid of \$425,000, the Indiana company is awarded the contract.

The State pays the Indiana company the original bid amount for the landscaping equipment, \$427,000.

Hoosier workers benefit and the state receives taxes from the company and employees, usually exceeding the amount of the preference.

Favoring Indiana Companies

To encourage the state to spend its purchasing dollars with Indiana companies, Executive Order 05-05 created a Buy Indiana preference. There are two ways the State of Indiana measures the Buy Indiana preference in competitive solicitations.

Quoting and Bidding

In bidding for basic supplies and commodities, an Indiana company can choose the Buy Indiana preference, whereby its bid price is discounted for the purposes of scoring. The categories are:

- 5% for a purchase of less than \$500,000.
- 3% for a purchase of at least \$500,000 but less than \$1,000,000.
- 1% for a purchase of at least \$1,000,000.

Request for Proposals

When the State is purchasing services for more complex and expensive solutions, a Request for Proposals (RFP) is used. RFP responses are scored on a 100-point scale. 25 of those points represent the Buy Indiana preference and are awarded as follows:

- 10 points are given to any RFP respondent that is considered an Indiana company based on the five criteria of an Indiana company.
- Between 1 and 15 points are available to RFP respondents based on the economic impact of their proposal. Indiana Economic Impact, or IEI, is measured by the number of Indiana-based Full Time Equivalents (FTEs) who will be a part of this solution. In other words, the number of Hoosiers assigned to the project. The FTEs work must be directly related to the proposed solution.

Buy Indiana in Action

By the Numbers

As of January 2007, 84 percent of dollars spent on state contracts were with companies that qualify under Buy Indiana. The jump from 60 percent to 84 percent of the state's total \$4 billion spend represents almost a billion additional dollars spent with companies that employ Hoosier workers.

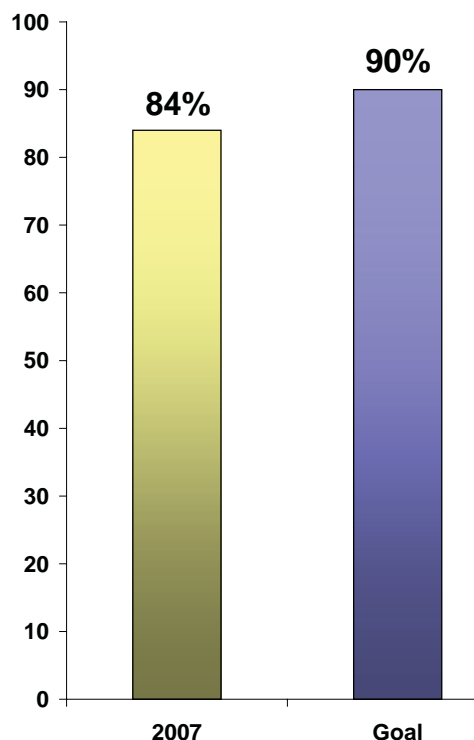
When reviewing the total number of contracts signed, the numbers are even better: 88 percent of all state contracts are now made with Indiana Companies.

State government has increased Indiana investments in two key ways – by ending contracts previously awarded to out-of-state firms and awarding those contracts to Hoosier companies, and by more clearly applying the preference for Indiana companies on new contracts.

Hoosier Successes

The numbers, while illustrative of a positive purchasing trend, are not just a measurement of state government progress. These numbers represent real growth in Hoosier communities and real opportunities for Indiana citizens.

**Buy Indiana:
Approaching Our Goal**



Building Businesses Back Home

Buy Indiana: Benefiting Hoosiers

"As a small, home-grown Indiana company, I couldn't be happier about Nishida's contract for janitorial services at the Indiana Government Center. Our company has about 80 total employees working on the contract, all of whom are Indiana residents, and a significant number were hired specifically for the Government Center work.

I am very pleased with the state's interest in contracting with Indiana companies and in the opportunity that Buy Indiana has provided to me and my employees."

-- *Hank Nishida, Owner,
Nishida Services*

- Haverstick Consulting was awarded the Department of Workforce Development Unemployment Insurance Modernization Project contract, valued at \$24 million over three years. Haverstick is **headquartered in Carmel**. This contract was previously awarded to TATA Consulting of India.
- Anthem, MDWise, and MHS, all companies **headquartered in Indiana**, were recently awarded the multi-year \$4 billion FSSA contract for Hoosier Healthwise. These Indiana companies replace California-based Molina, Ohio-based CareSource, and Illinois-based WellCare.
- Infospherix, the company that operates the DNR Reservation system, committed to investing in Indiana's economy by **opening a call center in Hamilton County**. The center, formerly located in Maryland, provides registration services to Indiana and several other states.
- The Café Group, **an Indiana company**, won the IDOA Cafeteria Food Services contract. The Café Group provides cafeteria services to the Government Center and pays annual rent to the state of \$240,000. They replaced Sodexo, a company headquartered in France.
- The Asher Agency, **based in Fort Wayne**, was awarded a contract to handle all of the State's media buying services. This contract consolidates state agency media purchases formerly made with a combination of Indiana and out-of-state companies and provides significant savings for Indiana.

- Dispatch Products, **based in Angola**, was awarded a contract valued at over \$100,000 to provide dispatch consoles for Indiana State Police Posts. Previous awards for consoles went to companies in Colorado and Massachusetts.
- Dixie Chopper was awarded the State's Quantity Purchase Agreement for large and small lawnmowers. The contract is currently valued at \$650,000. Dixie Chopper is **headquartered in Coatesville**. Previous awards for lawnmowers were made to companies based in Arkansas and Illinois.

Categories Four and Five: Fueling Job Growth in Indiana

Company	State Contract	Impact
Aramark	Food Service	Aramark employs 300 Hoosiers in Indiana correctional facilities to service the state's contract, saving the state \$11 million per year. In addition, there are 3300 other Aramark employees working and paying taxes in Indiana.
Correctional Medical Services (CMS)	Offender Healthcare	By hiring hundreds of Hoosiers to provide healthcare to offenders in state correctional facilities, CMS is now one of the top 500 corporations paying withholding taxes back to Indiana. In its first year, the contract saves the state nearly \$5 million.
IBM	Welfare Eligibility Modernization	The state's contract with IBM will add 1,000 new jobs to the Indiana economy over the next four years; 850 of those will be added in the next two years. The IBM contract will save Indiana \$100 million per year.
ACS	Stored Value Cards	This contract for debit cards improves delivery of unemployment benefits and helped create a new call center in Grant County. The cards will save the state \$1.7 million per year.
OfficeMax	Office Supplies	With 19 locations across Indiana and 435 Hoosiers on its payroll, Office Max has long been committed to investing in our state. The Office Supply contract will yield nearly \$12.5 million in savings over its 4-year term.

"...we should always care most about the mailing addresses on the employees' paychecks, not about the address of the company's headquarters."

-- *Gov. Mitch Daniels*

- The custodial services contract for the Indiana Government Center went to Nishida, **a minority firm based in Indianapolis**. The \$5.4 million contract saved the state nearly \$650,000 in Fiscal Year 2006. The contract calls for a blended workforce of Nishida and state employees. No state employees have lost jobs as a result of this contract.
- Mid-America Health was awarded the comprehensive dental services contract for all DOC facilities. It is a contract valued at \$18 million over five years. Mid-America is **based in Indianapolis** with employees located across the state.
- The Department of Revenue's Tax Amnesty Collection contract was awarded to General Revenue Corporation. To support this contract, General Revenue opened a call center on the **northside of Indianapolis** employing 100 Hoosiers. The contract amount is \$7.5 million.
- Strand Laboratories, **headquartered in Indiana**, provides DNA work for the Indiana State Police. They currently hold a contract for \$2.3 million.

Buy Indiana throughout Indiana

Governor Daniels is calling on Indiana's local governments, universities, and businesses to join the State in its efforts to purchase products and services from Indiana companies and develop a "Buy Indiana" emphasis of their own. For more information about Buy Indiana, including access to a list of confirmed Indiana businesses by product or service category, go to:

www.in.gov/idoa/proc/buyindiana.html